HOUSING MARKET OUTLOOK

Fredericton, Moncton, Saint John - Date Released: Spring 2006

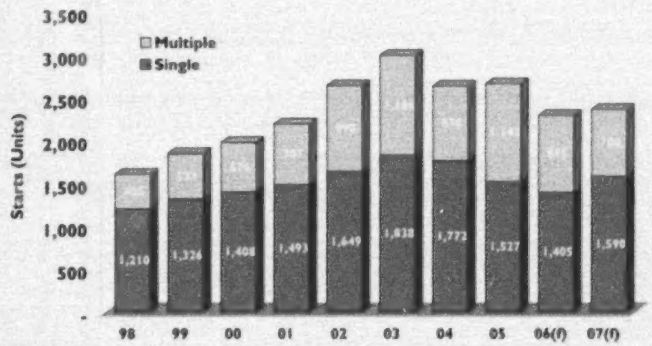
Economic Growth to Maintain Stability in 2006

The New Brunswick economy is expected to maintain a stable pace in 2006, although it will undoubtedly face mounting challenges in the coming months. Most notable are the province's manufacturing and forestry sectors, which have suffered from significant job losses in recent months. Furthermore, the continued strength of the Canadian dollar has proven to be a growing obstacle to various provincial industries that are critical to the health of the New Brunswick economy. Several of these industries, in particular manufacturing and tourism, will no doubt feel the pain of persistently rising energy costs. These factors will hamper the performance of the provincial economy in 2006.

Some of the previously mentioned economic challenges will be offset by large scale capital investment, such as the continued twinning of the Trans-Canada Highway in northern New Brunswick, along with the liquefied natural gas terminal being constructed in Saint John and the refurbishment of the Point Lepreau nuclear generating facility. These projects will require skilled labour and are expected to contribute to a rise in employment in the corresponding regions of the province. Along with stronger employment comes increased consumer confidence and spending, both important to economic health.

In light of the aforementioned economic challenges and the offsetting, large scale capital projects, the provincial economy is expected to grow by approximately 2.5 per cent during the forecast period. Notwithstanding economic stability, residential housing will be hampered by rising interest rates, as well as rising raw material and labor costs. As such, total starts should decline slightly to 3,650 units in 2006, followed by a further 8.2 per cent decline to 3,350 units in 2007.

Total Urban Starts - New Brunswick



Source: CMHC

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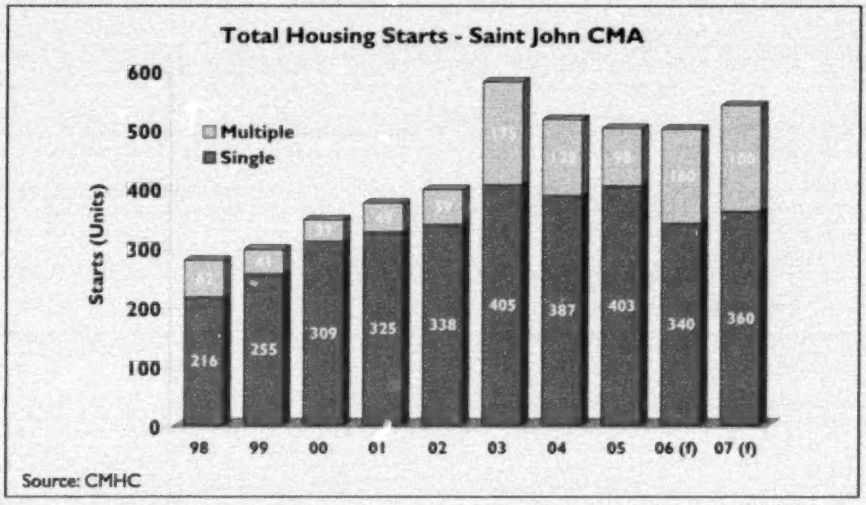


Employment Growth Expected Over the Forecast Period

Employment in Saint John has remained relatively stable in recent years. During the past decade, total employment for the Saint John CMA has gradually increased by approximately 1.1 per cent per year. Furthermore, with 61,800 people employed in 2005, Saint John recorded its highest level of employment in the last ten years, combined with the second lowest number of people unemployed. In spite of the relatively modest employment growth, the outlook is positive in regards to potential economic growth. Construction of a new liquefied natural gas facility will require and attract skilled labour; as will the upgrades to the Point Lepreau nuclear generating plant. The addition of the skilled positions required for these projects will complement recent increases in employment in other, non-related sectors such as service, retail and public administration. As a result of this multi-faceted growth in employment, the Saint John economy will benefit from further diversification. A strong, diversified economy will benefit the area by stimulating positive net-migration, which has been absent from the area in recent years.

Residential Construction to Remain Strong

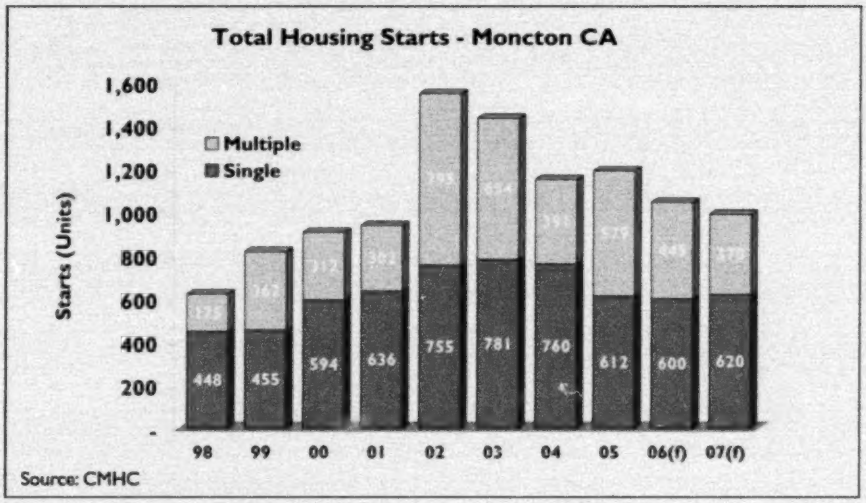
With improving economic conditions, combined with positive employment growth, residential construction in Saint John will remain at historically high levels. Even though total housing starts declined slightly in 2005, the total of 501 units was well above the ten year average of 327 units. For 2006, total residential construction is expected to remain stable with approximately 500 starts, mainly due to a surge in multiple unit construction. Only 98 multiple units were started in 2005, a notable drop from the previous year's total of 129. The decline is attributed mostly to apartment units, which fell from 61 starts in 2004, to 13 in 2005. This downward trend is expected to be reversed in 2006, with multiple starts anticipated to rise from last year's level of 98 units to approximately 160 units in 2006. With the planned large scale construction projects coming on line, demand for apartment style units will rise, contributing to increased construction of apartment and condo units. Multiple starts will play a more important role in the region's overall housing activity as single starts are expected to decline in 2006. In spite of a moderate 4.1 per cent increase in single starts last year, continued increases in labour and raw material costs, combined with the increasing price differential between new and existing housing will cause single starts to drop to 340 units, down from last year's level of 403 units.

With new listings at record levels, the strength of the resale market will cause some potential homeowners to choose an existing home rather than new construction, further contributing to a reduction in single starts. Unit sales and average sale price both reached record highs last year. For 2006, unit sales are expected to drop approximately 8 per cent from last year's level of 1,901 units sold. However, the average price will rise between two and three per cent, a slower pace of growth than the 4.6 per cent average annual growth recorded in the last five years.

FORECAST SUMMARY
Saint John CMA

	2002	2003	2004	2005	2006(f)	2007(f)	% Change *2006 vs. 2005
NEW HOME MARKET							
Total Starts	397	580	516	501	500	540	-0.2
Single-detached	330	395	374	392	320	340	-18.4
Manufactured Homes	8	10	13	11	20	20	81.8
Multiples	59	175	129	98	160	180	63.3
Avg. New Home Price	$171,400	177,800	$185,800	198,526	$205,000	$212,000	3.3
Vacancy Rate	6.3%	5.2%	5.8%	5.7%	5.5%	5.5%	-3.5
RESALE MARKET							
MLS® Sales	1505	1636	1612	1901	1750	1650	-7.9
Average Sales Price	$103,544	$106,475	$116,836	$119,719	$123,000	$125,000	2.7

MONCTON



Employment Remains Stable

Employment in the Moncton CA reached a record high in 2005, with over 69,000 people working. Furthermore, employment has been following a positive trend with annual average increases of 2.4 per cent during the past ten years, in addition to a historically low number of people actively seeking employment. Along with stable employment, various projects in the Greater Moncton area such as the new justice centre, proposed hotel complex, convention centre, in combination with the Downtown Dieppe project are providing a positive contribution to the region's economic activity. As a result of the strength of the local economy, Greater Moncton has enjoyed positive in-migration in recent years, growing annually by over 1,000 people. Consequently, the local housing market has remained stable, due in part to the increased demand created by positive net-migration.

Single Starts to Remain Steady in 2006

The 19.5 per cent decline in single detached starts in 2005 was significant, although it's important to note that it followed three years of particularly strong single unit construction activity in Greater Moncton. That being said, in historical terms, single unit starts in 2005 were above the 10 year average of 584 units with a total of 612. In the first quarter of 2006, single starts have outpaced last year's first quarter total by 55.6 per cent, rising from 36 units to 56 units. Due to an abnormally mild winter, construction activity proceeded relatively unhindered by weather. As a result, projects were brought forward, resulting in strong first quarter totals. Despite the early results, rising raw material and labour costs, and the widening gap between new and existing home prices are expected to slow the pace of growth as the year unfolds. Consequently, single starts will drop from last year's total of 612 units to approximately 600 units in 2006, including manufactured homes.

Resale Market to Decline

Last year, the resale market in Greater Moncton set records for new listings, units sold and average sale price. The corresponding strength of the resale market provided potential homeowners with additional choices and consequently contributed to the decline in single-detached starts. This trend will continue in 2006, as the cost of new homes continues to rise faster than the cost of existing homes on the resale market. Despite past performances, the resale market in 2006 will not maintain the growth trend observed in recent years, with an expected decline in sales of approximately 4 per cent.

Multiple Starts to Decline in 2006

Multiple starts in Greater Moncton rebounded in 2005 after experiencing a slight downturn during the previous year. In the first quarter of 2006, multiple starts have more than doubled when compared to the previous year's total, going from 22 starts to 59 in 2006. As was the case with single starts, favourable weather has sparked construction earlier than anticipated, resulting in a strong showing during the first quarter. For the year, multiple starts are expected to decline slightly from last year's pace, with approximately 445 starts forecasted for 2006.

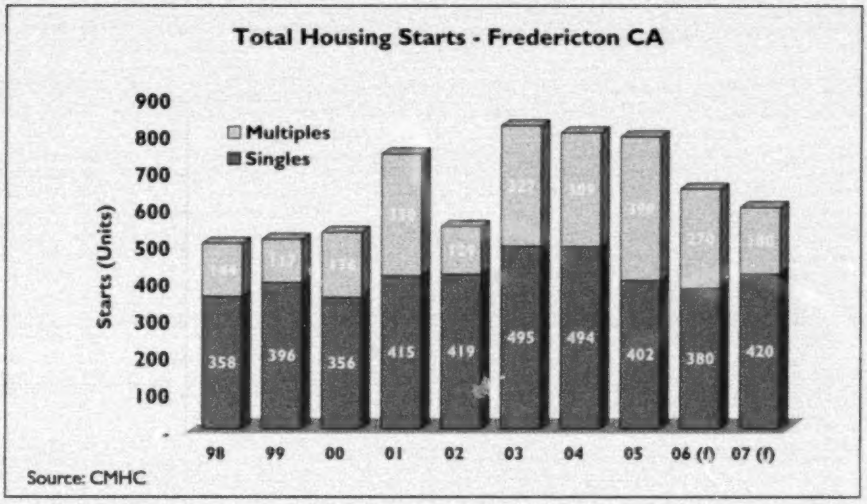
FORECAST SUMMARY
Moncton CA

	2002	2003	2004	2005	2006(f)	2007(f)	% Change *2006 vs. 2005
NEW HOME MARKET							
Total Starts	1550	1435	1151	1191	1045	990	-12.3
Single-detached	614	647	657	554	550	500	-0.7
Manufactured Homes	141	134	103	58	50	120	-13.8
Multiples	795	654	391	579	445	370	-23.1
Avg. New Home Price	$144,000	150,200	$164,733	168,833	$174,000	$181,000	3.1
Vacancy Rate	2.3%	2.9%	5.0%	4.7%	4.9%	4.5%	4.3
RESALE MARKET							
MLS® Sales	1763	1861	2028	2341	2250	2175	-3.9
Average Sales Price	$99,942	$104,577	$113,096	$124,088	$127,000	$130,000	2.3

FREDERICTON

Fredericton Economy to Benefit from Economic Development

Monthly employment in Greater Fredericton has been rising annually by approximately 2.1 per cent during the past decade. In 2005, total employment stood as 46,800, the highest level on record for the Fredericton CA during the aforementioned 10 year period. However, the construction of new projects such as new indoor rinks, a fire station, and various retail outlets will fuel economic growth in the Capital region over the forecast period. These projects will continue to drive job creation, and solidify consumer confidence. Furthermore, the local labour market has proven attractive to job seekers as York County is the only county in New Brunswick, except for Westmorland, to have experienced positive net-migration in recent years. As a result, strong demand for housing has been sustained, fuelling residential construction.



Multiple Starts to Decline

Multiple unit construction has been strong in the Greater Fredericton area in recent years. In fact, with 390 starts, 2005 was the most prolific year for multiple starts on record during the past two decades. The recent surge in multiple unit construction can be partly explained by Fredericton's expanding condo market. On the heels of the recent upturn, a moderate slowdown in multiple starts is expected for 2006 due to the expanded choices available to local consumers and rising vacancy rates.

Resale Market to Maintain Stability

Strong Employment, positive net-migration and minor mortgage rate increases will continue to sustain the resale market in 2006. Also driving the resale market will be the ample supply of new listings, combined with the ever increasing gap between new and existing home prices. Nevertheless, the resale market is expected to break from the recent trend of annual increases in unit sales. Expect a slight decline in unit sales for 2006, combined with a moderate price increase. A strong resale market will cause single starts to decline slightly over the forecast period.

FORECAST SUMMARY
Fredericton CA

	2002	2003	2004	2005	2006(f)	2007(f)	% Change *2006 vs. 2005
NEW HOME MARKET							
Total Starts	548	822	803	792	650	600	-17.9
Single-detached	327	405	401	274	260	300	-5.1
Manufactured Homes	92	90	93	128	120	120	-6.3
Multiples	129	327	309	390	270	180	-30.8
Avg. New Home Price	$156,600	165,000	$188,900	205,000	$215,000	$223,500	4.9
Vacancy Rate	0.90%	1.60%	3.70%	4.00%	4.30%	4.50%	7.5
RESALE MARKET							
MLS® Sales	1474	1655	1923	2082	2000	1925	-3.9
Average Sales Price	$105,245	$115,229	$119,191	$130,502	$134,000	$137,000	2.7

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